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Report Highlights:

- MEXICO PLANS CAMPAIGN TO INCREASE RICE CONSUMPTION
- FARMERS ORGANIZATION REQUESTS ADDITIONAL SUPPORTS FOR BASIC GRAINS
- AGRICULTURAL CONDITIONS SIMILAR TO THOSE THAT SPARKED MEXICAN REVOLUTION ACCORDING TO CNC
- MEXICO REDUCES ITS DEPENDENCE ON THE U.S. DOLLAR
- PROFITS FOR WAL-MART OF MEXICO INCREASE IN FIRST QUARTER
- CUBA TO PURCHASE MORE THAN 15 MILLION TONS OF PORK AND CHICKEN FROM U.S.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO PLANS CAMPAIGN TO INCREASE RICE CONSUMPTION

According to a local newspaper, one the principal plans of Mexican industrialists and rice producers is to increase rice consumption in Mexico. Consumption in Mexico currently stands at 5 kilograms per capita while the rest of Latin America consumes over 20 kilograms and some countries, like Peru and Costa Rica, surpass this figure with 62 kilograms and 40 kilograms per capita per year, respectively. The Mexican Rice Council (CMA), along with the National Federation of Rice Producers (FENAPA), wants to increase per capita consumption in Mexico to 10 kilograms through better quality, packaging, labeling, and attractive prices with periodic discounts to consumers. They hope to achieve this plan by securing industrialist, producer, state government and federal government funding. (Source: *El Financiero*, 04/06/2005)

FARMERS ORGANIZATION REQUESTS ADDITIONAL SUPPORTS FOR BASIC GRAINS

The National Farmers Council (CNA) asked the Agriculture Secretariat for emergent marketing support for 7 MMT of grains (mainly corn, sorghum and wheat). The supports would only be applied for the 2004/05 fall/winter crop (harvest in 2005 spring/summer).

The main reason for this request is the increased cost of farm inputs, which would nullify farmers' profits. According to Juan Habermann, CNA's agricultural Vice-President, farmers have faced an accumulated inflation of 18 percent (on their costs) since 2002. In a written report that the CNA's Vice-President presented to Agriculture Secretary Javier Usabiaga during a private meeting, the requested "emergent" support for grain prices would be 1,705 pesos per metric ton (roughly US\$ 151/ton). The support would be applied for corn, wheat, canola, knapweed, chickpea, dry bean and cotton for the fall/winter 2004/05-crop cycle. In total this new support would represent approximately 3.4 billion pesos (US\$ 301 million). (Source: *El Financiero*, 04/08/2005)

AGRICULTURAL CONDITIONS SIMILAR TO THOSE THAT SPARKED MEXICAN REVOLUTION ACCORDING TO CNC

The same agricultural conditions that led to the Mexican Revolution 86 years ago are present again today, according to the National Farmers Federation (CNC). "More than the misery they are living in, what irritates *campesinos* the most is the unfair distribution of wealth in Mexico. This unfair distribution has been accentuated due to a 25-year period of neo-liberal

policy and the 11 years of NAFTA, leading Mexico to defeat Brazil in the Latin American 'social unfairness championship'. The worst part is that poverty has grown rapidly, creating similar conditions to those in the beginning of the past century that eventually provoked the insurgency and the Mexican Revolution", said CNC leader Heladio Ramirez. According to Ramirez, "while 11 families control 5 percent of the domestic GDP, 70 percent of the Mexican population is considered to live below poverty and extreme poverty levels." (Source: *Excelsior*, 04/11/2005)

MEXICO REDUCES ITS DEPENDENCE ON THE U.S. DOLLAR

Over the past decade, Mexico has reduced its dependence on the U.S. dollar. Dollar deposits in the Mexican financial system have decreased from 20 percent of all deposits in 1995, to nine percent today. Public debt in U.S. dollars has dropped from 80 percent to 39 percent of all debt in the same time period. Finally, private dollar-denominated debt has been halved, from 18 percent to nine percent. According to the deputy governor of the Bank of Mexico, this 'de-dollarization' of the debt has come about as an indirect result of the strengthening of the Mexican financial system. Most international analysts agree that a reduction in dollar-denominated accounts and debt is a sign of a healthy financial system. (Source: *El Financiero*, 04/11/2005)

PROFITS FOR WAL-MART OF MEXICO INCREASE IN FIRST QUARTER

Wal-Mart of Mexico (Walmex), the largest retail chain in the country, reported a 35 percent increase in its net profits from the first quarter as compared to the same period in 2004. Walmex stated that its net earnings were US\$ 166 million dollars. Through aggressive expansion and a low-price strategy, the chain is winning more participation in the fragmented Mexican market. "Sales growth, combined with lower operation costs, resulted in an operational profit increase of 28 percent as compared to 2004," said the company in a press release (operation profits reached US\$ 212 million). The chain plans to invest US\$ 737 million to open 70 new commercial units and increase its sales floor by 12 percent in 2005. Walmex, which operates 696 commercial units in five different store formats and restaurants, announced that it opened a Bodega Aurrera, a Sam's Club and a restaurant during the first quarter. (Source: *Reuters*, 04/07/2005)

CUBA TO PURCHASE MORE THAN 15 MILLION TONS OF PORK AND CHICKEN FROM U.S.

According to an agreement signed on April 7 in Havana, Cuba will purchase US\$ 14.3 million in pork and poultry meat from Calhoun Foods. According to the agreement, Cuba's national importing firm, Alimport, will purchase more than 1,500 tons of pork and some 8,400 of poultry meat from the Alabama based company. The contract was signed on the second day of a food products exposition in which 35 companies from 15 U.S. states participated. Since 2001, Cuba has purchased more than US\$ 1.3 billion in food products. When the 2000 law that authorized agricultural trade with Cuba was approved, the island was ranked number 226 among markets for American food products. Five years later, it has improved to 21st. (Source: *Notimex*, 04/07/2005)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

MX5029	Weekly Highlights and Hot Bites, Issue #12	04/06/05
MX5030	Stone Fruit Annual Report	04/07/05
MX5031	Reference prices for CLQ	04/08/05
MX5032	Mexico Amends the Allocation of the 2005 Tariff-Rate Quota for Milk Powder	04/11/05
MX5033	Oilseeds and Products Annual Report	04/11/05

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